

fairs and they are authorized to sit at all meetings of the directorate with consulting powers.

The note circulation of the Imperial Bank is based largely upon the English banking act of 1844, but with an important modification which adds greatly to the ability of the bank to provide accommodation in times of stringency. There is a fixed limit of authorized circulation, against which cash or its equivalent must be held in the proportion of one-third, and issues beyond this limit must be covered in cash for the full amount. The cash reserve of one-third in the one case and one hundred per cent, in the other may consist of money having currency in Germany, Imperial Treasury bonds, gold bullion, or foreign gold coin. The notes, therefore, are issued against the general assets of the bank, which remain wholly within its own control and are not set aside by specific designation or prior lien for the security of the note holders. The law, says Prof. Dunbar, "has simply provided by suitable measures that the affairs of the bank, including its issue of notes and the money and securities held by it, shall meet certain tests of soundness, believing that both the ultimate solvency of the bank and the prompt payment of its circulation are thus made secure."<sup>1</sup> The limit of authorized circulation was fixed by the law of March 14, 1875, at 250,000,000 marks (\$60,000,000) but the same law provided that when any existing bank of circulation should surrender its right, either by liquidation or by refusal to accept the conditions imposed by the new law, the amount of the circulation might be assumed by the Imperial Bank. Seventeen banks surrendered their right to issue notes soon after the adoption of the new system and their action added 26,085,000 marks to the authorized circulation of the Imperial Bank. This was afterwards increased to 42,117,000 marks.<sup>2</sup> The two-thirds of the authorized circulation not covered by the cash reserve are required to be covered by

<sup>1</sup> Theory and History of Banking<sup>^</sup> 195.

<sup>2</sup> Raffalovich, *Marché Financier* en 1893-4, 67.